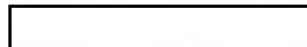


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23 January 1959



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CENTRAL INTELLIGENCE BULLETIN



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Army, USAF, DIA and State Department
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CENTRAL INTELLIGENCE BULLETIN

23 January 1959

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DAILY BRIEF

I. THE COMMUNIST BLOC

OK
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USSR-Finland: Khrushchev has made a sudden trip to Leningrad--only five days before the party congress--to meet with Finnish President Kekkonen, who is there on a "private" visit. The presence of both the Soviet and Finnish ministers of trade and Soviet Foreign Minister Gromyko indicates that trade as well as political discussions will take place. The Soviet leaders appear to be making a special effort to conciliate the Finns and may hope to obtain some Finnish endorsement of the USSR's proposals on Berlin and a German peace treaty. [REDACTED]

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II. ASIA-AFRICA

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NO
Israel-France: [REDACTED] The unauthorized flight over Greece on 6 January of [REDACTED] French-made Mystere IV B-2 (Super-Mystere) high-performance jet fighters headed in the direction of Cyprus strongly suggests that these aircraft were en route to Israel. Israel is reported to have contracted for [REDACTED] such aircraft last spring. These new aircraft would considerably increase the air defense capability of the Israeli Air Force. [REDACTED]

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OK
Arab states: Plans by the Arab League to set up an Arab Navigation Company consisting largely of oil tankers appear to be moving rapidly toward realization. The UAR, which will control the company through its 40 percent interest, is currently concluding a deal with Japan for the construction of two 20,000-ton tankers which it hopes will provide a nucleus for the Arab fleet. Since the company, will be owned by Arab governments, political pressures will probably be applied on Western oil companies to grant long-term contracts to carry Middle East oil. [redacted]

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OK
French West Africa: The adoption on 17 January by representatives of four of the seven autonomous "republics" in French West Africa of a draft constitution providing for a federal regime to be known as the Federation of Mali reflects the growing urge among politically conscious Africans for greater unity. The new grouping, which is expected to be endorsed in a referendum scheduled for 22 February, will remain within the French Community for the present. It will face extensive political and economic problems.

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(Map)

Japan: A last-minute agreement between Prime Minister Kishi and his rivals in the ruling Liberal-Democratic party [redacted] virtually assures Kishi's re-election as party president on 24 January. Party leaders have agreed to close ranks, on as yet undisclosed terms, in the face of a difficult Diet session beginning 28 January. Kishi will probably continue as prime minister until summer at least, [redacted]

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OK
Indonesia: The American ambassador cites a savage attack on the Communist party by a leading Djakarta daily, often used as a government mouthpiece, as evidence that the government may be shifting away from dependence on pro-Communist and Communist groups. He considers it unlikely that such an article would have been written without President Sukarno's approval. [redacted]

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DAILY BRIEF

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III. THE WEST

6K
*Austria-USSR: Soviet Ambassador Lapin told a high Vienna official a few days ago that bilateral Austrian association with the European Common Market would be considered a violation of Austria's neutrality. The Soviet warning is a serious intervention in Vienna's conduct of its foreign affairs. Should Vienna be unable to work out an acceptable tie with the Common Market, Austria would face an economic squeeze in view of its heavy dependence on access to Western European markets. [REDACTED]

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OK
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Argentina: The costly strikes by industrial labor, along with terroristic tactics against workers returning to their jobs, will probably stimulate revision of government labor legislation and stronger action against the Peronistas and Communists, possibly including outlawing the Communist party. Such action may be deferred, however, until after President Frondizi returns from the United States on 2 February. [REDACTED]

23 Jan 59

DAILY BRIEF

iii

[REDACTED]
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LATE ITEM

IV. SIGNIFICANT INTELLIGENCE
REPORTS AND ESTIMATES

(Available during the preceding week)

SNIE 72-1-59. Outlook for the Sudan. 6 January 1959.

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23 Jan 59

DAILY BRIEF

iv

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I. THE COMMUNIST BLOC

Khrushchev, Kekkonen Negotiate

Soviet Premier Khrushchev, only five days before the Soviet party congress, has made a sudden trip to Leningrad, where Finnish President Kekkonen is making a 'private visit.' Moscow appears to be making a special effort to conciliate the Finns after the prolonged period of Soviet pressures which last month toppled the Fagerholm coalition.

The presence in Leningrad of both the Soviet and Finnish ministers of trade as well as Soviet Foreign Minister Gromyko indicates that trade as well as political discussions will take place. TASS announced that "opinions on questions of Soviet-Finnish relations and some problems of the international situation" had been discussed. Khrushchev probably now hopes to obtain a public Finnish endorsement for the specific Soviet proposals on Berlin and a German peace treaty. Finland had previously sent a prompt reply to Moscow favoring a conference on a German peace treaty. The communiqué issued after Kekkonen's state visit last May endorsed a nuclear-test ban, a Rapacki-type European disengagement zone, and "universality" in international organizations--the first time Finland had joined in such public statements.

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[The Finns are additionally concerned over the situation in the Baltic and German rearmament, which they believe could lead to a war inevitably involving Scandinavia.] The USSR may also attempt to gain Finland's support for a Baltic "zone of peace"--a statement which Soviet leaders unsuccessfully "pressed hard" to include in the May communiqué. Mikoyan on 3 January in Copenhagen stated that he desired the Baltic "to become a sea of peace."

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II. ASIA-AFRICA

Arabs to Establish Tanker Fleet

Plans to set up an Arab Navigation Company, largely to operate oil tankers, appear to be moving toward realization and may be completed by the time the Arab Petroleum Congress meets in April. The Arab League Economic Council has decided that the company will be capitalized at about \$15,000,000, with the shares distributed among the members of the Arab League. The UAR will hold 40 percent, and operations will probably be coordinated in Cairo. Other holdings are to be: Iraq, 14 percent; Lebanon, 5 percent; the Sudan, 4 percent; Jordan, 2.5 percent; Yemen, 2 percent; Libya 1.5 percent; and the remaining 31 percent will be distributed among Kuwait, Bahrein, and other Arab states.

The UAR, hoping to provide the nucleus of the fleet, is seeking to conclude a deal with Japan for the construction of two 20,000-ton tankers. The Kuwaiti government reportedly has approved the plan, and the privately owned Kuwaiti tanker company will participate in this project. The rest of the proposed Arab fleet will be government-owned.

Meanwhile, Iran also is quite far along in its own program to carry a part of its oil production in Iranian-flag vessels. The first 33,500-ton supertanker for Iran was scheduled to be commissioned on 21 January and another of the same tonnage in about six months. Five other supertankers of 50,000 tons are being built in Swedish yards and will be delivered at the rate of one each year from 1960 to 1965.

These tanker programs are being carried out despite the existence of surplus tanker capacity amounting to at least six million dead-weight tons. [REDACTED]

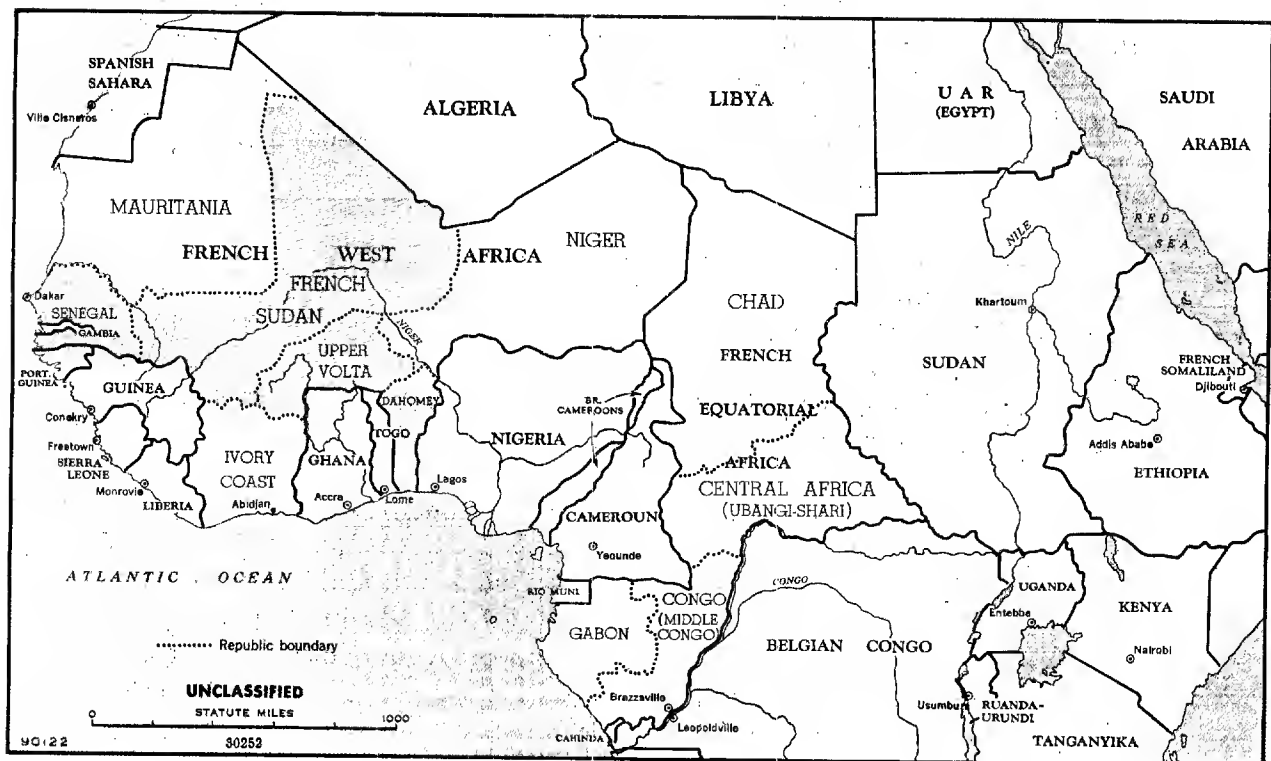
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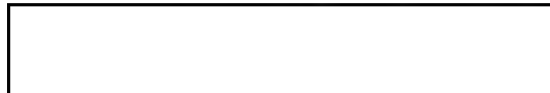
West Africans Creating New Regional Federation

African leaders representing Senegal, French Sudan, Upper Volta, and Dahomey--four of seven autonomous West African "republics" which opted to join the new French Community--approved on 17 January a draft constitution which provides for a politically meaningful federal regime to replace the former largely administrative federation of French West Africa. Popular endorsement of the new grouping, to be called the "Federation of Mali" after a semilegendary empire which embraced large areas of West Africa between the 13th and 16th centuries, is expected when the draft instrument is submitted to a referendum in the four founding territories on 22 February. Some 11 of the approximately 17 million inhabitants of French West Africa will be included in the new political entity as presently envisaged.

Although the 62-article draft constitution does not give extensive powers to the federal institutions, it provides for a federal executive, assembly, and separate judiciary, and places administration of federal security forces in the hands of the chief of the federation. It provides for the adherence of new members and for secession.

This agreement represents a fundamental decision in favor of regional consolidation by important elements of the two leading interterritorial political parties--the African Democratic Rally (RDA) and the African Regroupment party (PRA). It also reflects the growing appeal of pan-Africanism among politically conscious Africans. Its achievement in the face of the vigorous hostility of the Ivory Coast's Houphouet-Boigny, creator and president of the RDA as well as minister of state in the French Government, seems certain to heighten the serious rift which the federation issue has already produced in the RDA. Eventually, the attraction of such a federation for the three territories presently remaining aloof may undermine the power of Houphouet and other nonparticipating area leaders.

For the present, the new federation can be expected to remain within the French Community, the constitution of which



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provides specifically for such a "primary" grouping linked as a unit with France. However, most of the African Nationalists who formed the federation have not disguised their Community's provision enabling a member republic to become fully independent when it chooses.

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Japanese Conservatives Reach Compromise

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[REDACTED] The principal factors behind the agreement appear to be concern for maintaining party unity in the face of a difficult Diet session beginning on 28 January and preventing possible losses in the upper house election in June. The terms of the compromise have not yet been revealed, but presumably involve a commitment by Kishi to give some of his rivals important cabinet or party posts in the near future in return for agreement to hold a party presidential election on 24 January.

The prime minister's rivals, who had demanded that the party presidential elections be postponed until after Kishi's term expires on 21 March, have announced that they intend to nominate former Education Minister Kenzo Matsumura as a candidate to challenge Kishi. Although Kishi's re-election as party president seems assured, the compromise gives him only a temporary respite from [REDACTED]

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Kishi probably will continue as prime minister at least until after the elections to the upper house next June. During the Diet session, he will probably concentrate on passing the budget and will avoid the introduction of controversial legislation, such as his bill to increase police powers. The opposition Socialists, encouraged by the defeat they administered to Kishi on the police-powers bill during the last session and by [REDACTED] will harass the government on every occasion. [REDACTED] the Socialists may carry out a plan to implicate Kishi in an alleged reparations scandal.) [REDACTED]

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Press Attack on Indonesian Communists May Have Had President Sukarno's Approval

A "savage" editorial attack on the Indonesian Communist party on 20 January by the Djakarta daily Merdeka--a National party--oriented paper--is the strongest condemnation to date in the running fight between the National and Communist parties. Since Merdeka is frequently a government mouthpiece, however, the editorial may also be a further indication of President Sukarno's shift away from dependence on the Communists. Several Indonesian sources recently have expressed their belief that Communist access to Sukarno is decreasing steadily.

The paper attacked the Indonesian Communist party as a branch of international Communism under the aegis of Moscow. Merdeka stated that the party's purported defense of liberal democracy, its previous wholehearted support of Sukarno's "guided democracy" program, and its current position on a proposed revision of the composition of parliament are only steps toward its goal of seizure of complete power.

According to Merdeka editor Diah, who is a National party member, the current conflict between Sukarno and the Communists on the method of choosing an enlarged parliament offered a clear and rare opportunity to attack the Communists and alienate them from the President. The Communists heretofore have generally given vigorous support to Sukarno and have gained wide popular approval through their identification with him and his policies.

Diah evaded a direct statement on whether Sukarno had prior knowledge of the editorial. The American ambassador in Djakarta, however, believes it unlikely that Diah would have made such a strong statement without consulting the President.

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III. THE WEST

USSR Warns Austria Against Association With the European Common Market

Soviet Ambassador Lapin told the director general of the Austrian Foreign Ministry "a few days ago" that bilateral Austrian association with the European Common Market (EEC) would be considered a violation of Austria's neutrality. Since Lapin had told the Foreign Ministry some months earlier that Austrian membership in the EEC would be objectionable, the present warning is interpreted to apply even to a tenuous EEC association. Lapin stressed that, while his approach was informal, his government takes a serious view of the matter.

Since Austria's neutrality law binds it only to join no foreign military alliances and to permit no military bases on its soil, the Soviet warning represents a serious intervention in Vienna's conduct of its foreign policy. It recalls past Soviet intimations that Moscow would object to Finnish association with the Organization for European Economic Cooperation (OEEC). Since the signing of the Austrian State Treaty, the Soviet Government has been careful to remind Austria, on several occasions, of its "obligations as a neutral state."

Austria has long been nervous about Soviet opposition to its closer association with Western European economic organizations, and already has decided that full membership in the EEC is probably out of the question. Since about 50 percent of Austria's trade is with the Common Market countries, some kind of association with EEC has seemed essential--either bilateral or, preferably, through the multilateral framework the proposed Free Trade Area would provide.

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Argentine Strikes May Prompt Stronger Steps Against Communists and Peronistas

The Argentine Government may revise its labor policies and take stronger action against the Peronistas and Communists because of the defiant attitude of Peronista-led unions in the costly industrial strikes which began on 18 January. Extremist elements exacerbated the situation by adopting terrorist tactics against workers returning to their jobs. Action may be deferred, however, until President Frondizi returns from the United States on 2 February.

Government measures thus far have included the arrest of Peronista and Communist labor leaders, and the closing of their party headquarters, as well as the mobilization of petroleum and city transport workers. Firm security measures re-established transport services by 20 January, thus encouraging the majority of nonindustrial labor to return to work.

Just before the President departed for Washington, the Frondizi-dominated Congress began consideration of legislation requiring arbitration of disputes before strike action. Anti-Peronista leaders, encouraged by the administration's charges that the Peronista and Communist strike action had subversive aims, will probably renew pressure on Congress to modify the basic labor law, which they believe favors the Peronistas' drive to regain control of organized labor in the union elections now under way.

The government may even move to outlaw the Communist party, [redacted] but Acting President Guido said on 22 January that he did not believe this would be necessary. It seems more likely that the recent unrest may add impetus to efforts toward legislation which would improve the investigation and control of Communist activities. Except under the current state of siege measures, security forces lack such authority.

Frondizi's strong stand against labor agitation has strengthened his military backing. [redacted]

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The Under Secretary of State

The Under Secretary of State for Economic Affairs

The Deputy Under Secretary for Political Affairs

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